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A NATIONAL SYSTEM OF LABOR EXCHANGES IN ITS RELATION TO INDUSTRIAL EFFICIENCY

BY JOHN B. ANDREWS,

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"No one can today predict what the condition of the labor market will be at the conclusion of peace, how and within what period the flooding back of the soldiers to the workshops will be effected, what branches of industry will adapt themselves to the transition from war orders to peace orders most quickly and in the most extensive manner, and what rôle the influence of the seasons and the condition of foreign commerce will play therein." This was the calm statement made when in February, 1915, six months after the outbreak of the world war, a national conference of technical and employment experts met in Berlin, Germany. "The development by law of free employment offices is a problem for the solution of which measures must be taken even before the end of the war," was the declaration of all discerning men in technical circles in Germany as well as among those engaged in the administration of employment offices. "These measures, too," it was agreed, "should be taken as soon as possible in order that Germany may be better prepared for the violent fluctuations in the labor market which will occur at the termination of the war."

It was admitted that employment offices will properly fulfill their task only when they connect the demand with the supply in the entire labor market. In addition to this most important task it was agreed that they must create a basis for a reliable permanent census of the unemployed and must serve as a means of control of and as an auxiliary organization to a system of unemployment insurance. Moreover, the local organizations must be combined into district federations, and these, again, must be connected with a national central organization. And such an organization, it was declared, will make it possible to know the changing demand in the labor market and "to direct the shifting of the working forces which in our present economic system has become a necessity."

The hasty reader might infer from this that Germany has just

been awakened to the need of public employment offices. But, on the contrary, no other country has had wider experience with these institutions. No less than 323 local labor exchanges were in operation under public auspices in Germany at the outbreak of the war. The importance of the work was clearly recognized. To this conference in Berlin came representatives from the Imperial Department of the Interior, the Imperial Statistical Office, the Central Organization for Public Welfare Work, the Bureau for Social Politics, as well as the presidents of about forty central federations affiliated with the General Committee of the Trade Unions, and many employment office officials. All differences of opinion were set aside in order to achieve the great goal common to all, "the legal regulation and development on a large scale of the procuring of employment on the basis of self administration, under legal supervision, of all employment offices without exception." In other words, Germany recognized the necessity of welding together into a *national system* her scattered local labor exchanges, and the above principles for legal regulation proposed by the German Section of the International Association for Labor Legislation were unanimously adopted. "For the first time in many years," says the editor of *Soziale Praxis*, "the entire German organized labor world is here seen united and harmonious in favor of a great fundamental social reform, the successful fulfillment of which is in the highest interest of the public weal and is even a necessity in the interest of the welfare of the Empire and of the federal states."¹

Great Britain, after a careful investigation of employment bureaus in other countries, established her national system of labor exchanges five years ago. Before the outbreak of the war there were in operation 430 local bureaus of the British system staffed by full time officers, with which were connected 1,066 local agencies for the administration of unemployment insurance.

As the following table indicates, the number of applications for employment, the number of vacancies notified by employers, and the number of vacancies filled, have gone almost steadily upward since the system was put in operation.

¹ *Soziale Praxis*, Vol. XXIV, Nos. 21 and 22.

OPERATIONS OF BRITISH LABOR EXCHANGES, BY SPECIFIED MONTHS

| Month | Applications for employment | Vacancies notified by employers | Vacancies filled |
|--------------------------------|-----------------------------------|---------------------------------------|---------------------|
| March, 1910..... | 126,119 | | 20,395 |
| March, 1911 ¹ | 142,382 | 47,811 | 37,711 |
| March, 1912..... | 178,317 | 72,650 | 55,650 |
| March, 1913..... | 209,901 | 95,862 | 68,783 |
| March, 1914..... | 222,204 | 99,089 | 74,578 |
| March, 1915..... | 213,464 | 137,908 | 99,188 |

¹ Five weeks.

The following table shows the usefulness of the exchanges for the first five years of their existence:

OPERATIONS OF BRITISH LABOR EXCHANGES, BY YEARS

| Year | Applications for employment | Vacancies notified by employers | Vacancies filled |
|-------------------------|-----------------------------------|---------------------------------------|---------------------|
| 1910 ¹ | 1,590,017 | 458,943 | 374,313 |
| 1911..... | 2,010,113 | 886,242 | 719,043 |
| 1912..... | 2,423,213 | 1,286,205 | 1,051,861 |
| 1913..... | 2,739,480 | 1,158,391 | 874,575 |
| 1914..... | 3,251,646 | 1,425,174 | 1,076,575 |

¹ Eleven months.

The percentage in 1914 of vacancies filled to vacancies notified was 76 per cent.

Both Germany and Great Britain, then, have made definite progress toward the organization of their labor markets on a national basis. What is the situation in America?

It is apparent to any one who knows anything about the subject that our labor market in the United States is unorganized, even in ordinary times, and that there is a tremendous waste of time and energy in the irregular and haphazard employment of workers. It is this very great social waste which we are just beginning to appreciate, but every method for overcoming it so far tried in America has been painfully inadequate.

The first and simplest method of bringing workmen and work together is by unsystematic individual search. A man not recommended for a position by a relative or friend often follows the easiest course, that which involves the least immediate expenditure of money and thought. He starts from home and drops in at every sign of "Help Wanted."

"Help Wanted," scrawled on a piece of cardboard, is the symbol of inefficiency in the organization of the labor market. The haphazard practice of tramping the streets in search of it is no method at all. It assures success neither to the idle worker in his search for work, nor to the employer in his search for labor. On the contrary, by its very lack of system, it needlessly swells the tide of unemployment, and through the footweary, discouraging tramping which it necessitates often leads to vagrancy and to crime.

It is impossible to reckon the cost to the community of this methodless method. Beyond the tremendous waste of time, there is the waste incurred by putting men into the wrong jobs. The law of chance decrees that, under such lack of care, misfits must be the rule; and society now permits the daily process of attempting to fit a round peg into a square hole.

A second common method of connecting employer and employee is through the medium of advertising. About 2,000 newspapers published in New York State carry every year some 800,000 columns of "Help Wanted" and "Situation Wanted" advertising, at a cost to employers and employees estimated at \$20,000,000—an expenditure of about \$5 for every worker in the state. If the money spent brought commensurate results, there would be less ground for complaint. But at present an employer advertises for help in several papers, because all the workers do not read the same paper. The employee lists the positions advertised, and then starts on the day's tramp. At one gate fifty or a hundred men may be waiting for a single job, while in other places a hundred employers may be waiting, each for a single employee. Unnecessary duplication of work and expense by both parties is apparent. In addition to the expense, newspaper advertising also possesses inherent possibilities of fraud—210 formal complaints of this particular sort have been investigated by the New York City Commissioner of Licenses in one year. It is difficult for the newspaper, even if it always tries, to detect misrepresentations, and misrepresentation breeds distrust. The victimized

employee very rarely seeks legal redress. Either he is ignorant of his rights, or the game is not worth the candle to a man who owns but one property, labor, upon the continuous sale of which he is dependent for existence.

Philanthropic employment bureaus fail mainly because of the taint of charity which justly or unjustly clings to them, and have become for the most part merely bureaus for placing the handicapped. Self-reliant workmen are inclined to shun such agencies, and employers do not generally apply there for efficient labor. Charging small fees or none at all, these offices are unable to compete with the more active private agencies which spend large sums of money developing clienteles among employers and employees. Trade union "day rooms" and offices maintained by employers' associations have to contend with mutual distrust, while their benefits are at best limited to one trade or industry.

Private employment agents, doing business for profit, have sprung up in large centers, no fewer than 800 of them being licensed in New York City alone. While many of these operate with a reasonable degree of efficiency, their general character is picturesquely if not elegantly indicated by their soubriquet, "employment shark." In the year ending May 1, 1913, the Commissioner of Licenses of the City of New York reported the investigation of 1,932 complaints against registered employment agents, resulting in nine convictions, the refunding of more than \$3,000 to victimized applicants and the revocation of thirteen licenses. Among the worst evils laid at the door of the private agencies are charging extortionate fees, "splitting fees" with employers who after a few days discharge a workman to make way for a new applicant with a new fee, collusion with immoral resorts, sending applicants to places where there is no work, and general misrepresentation of conditions.

Public employment bureaus, designed partly as an offset to the abuses of the private agencies, date in America from 1890, when Ohio authorized the first state system. Today there are between seventy and eighty such bureaus, maintained by twenty-three states and by a dozen or more municipalities. These offices (with one backward exception) charge no fee, maintain a neutral attitude in time of labor disturbances, and fill positions, according to the official reports, at a cost ranging from four cents to two dollars apiece. In Wisconsin, where there are four state exchanges well

organized on the most approved lines, the cost in 1911 was about thirty-five cents per position filled. In Illinois, during the twelve years 1900-1911, there were 589,084 applications for employment, 599,510 applications for workers and 512,424 positions filled. Illinois now appropriates over \$50,000 a year for direct support of its state labor exchanges, of which eight have already been established. Illinois, in 1915, in reorganizing its public employment exchanges, specifically provided for coöperation with employers with a view to encouraging regularization of industry.

Notwithstanding the work of a few, these public bureaus are still far from furnishing an adequate medium for the exchange of information on opportunities for employment. Fewer than half the states are represented. Many of the managers are political place-holders of worse than mediocre attainments. Some of the offices exist only on paper. A uniform method of record-keeping has yet to be adopted. Statistics are non-comparable, and frequently unreliable if not wholly valueless.² There is practically no interchange of information between various offices in a state or between states. In short, workmen are still undergoing want, hardship and discouragement even though often within easy reach of the work which would support them, if they knew where to find it.

Nor does the evil end there. Every one who has studied the problem realizes that method and system in putting men and opportunities for work in touch with each other will not of themselves prevent over-supply of labor or of jobs. They will do so no more than the cotton exchange guards against an over- or an under-supply of cotton. They will serve merely as levelers in the scales of labor supply and labor demand. Besides the unemployment which is due to the failure of men and jobs to find each other, there is much due to other causes which even the best system of employment exchanges would not directly eliminate.

But every one realizes that these other causes of unemployment cannot be successfully attacked without a basis in comprehensive, conscientiously collected information such as cannot be furnished by our present machinery for dealing with the problem. Under present methods there exists no automatic, cumulative means for collecting the facts. That results, of course, in exaggerated

²Mr. Solon De Leon furnishes an admirable and crushing analysis of existing statistics, in the *American Labor Legislation Review* for May, 1914.

statements in both directions. Our paucity of information on this complex and vital question has continued, even though labor problems in one form or another have taken the lead as subjects for legislation. Without a nation-wide system of labor exchanges, no basis can exist for anticipating in an accurate manner the ebbs and flows of the demand for labor. Without concentration of the information now collected and now held separately in thousands of separate organizations throughout the land, the possibility of looking into the future, or of profiting by the past, is out of the question.

It was a growing realization of the foregoing facts which inevitably led to the demand for a federal system of public employment bureaus. Such a system would cover the whole country. Without superseding either the state or the municipal exchanges already in existence, it would supplement and assist the work of both, dovetailing them with its own organization into an efficient whole. Country-wide coöperation and exchange of information would then be an accomplished fact instead of merely a hope. Statistics for the study of unemployment and for the progressive development of new tactics in the campaign against it would be co-extensive with the national boundaries and comparable between different parts of the nation. The regulation of private agencies would be a natural function of the federal bureaus, and the troublesome "interstate" problem would be solved by an interstate remedy. Finally, the greater resources at the disposal of the federal government would provide better facilities for carrying on the work than the states could provide, and would command the services of more able social engineers than are found in most of the state exchanges at present.

The lack of coöperation, the failure to interchange information of vital importance to workmen and employees, is one of the sad features of the public employment bureau situation at the present time. Here is a great field for the standardizing activities of a federal bureau. The scattered public agencies must be brought into full coöperation with the federal system and with one another. Information of industrial opportunities must no longer be locked within the four walls of each office, but must flow freely to other offices and to other states. In the hands of the proposed federal bureau more than in any other agency lies the opportunity of bringing order out of the present chaos. It could devise, in coöperation

with public employment officials, a standard record system, encourage its adoption by the various agencies, and assist them in installing it. It could encourage the adoption of a uniform method of doing business and of appraising results.

The suggestion of a national system of public employment offices for this, perhaps the most highly developed industrial nation of the world, comes not as an untried notion, but as a workable, proved possibility.

Several bills, looking to the establishment for the United States of a federal system of labor exchanges, were introduced in Congress in 1914. Action was deferred to permit the federal Industrial Relations Commission, which publicly announced that it had begun work upon the problem, to bring in a bill of its own. But the federal commission failed to do so at that or at the succeeding session of Congress. Meanwhile, under limited powers and in response to the growing public demand, the Department of Labor, in coöperation with the Department of Agriculture and the postal authorities, has extended its work and established the beginnings of a federal labor exchange system with branches in various cities through the country. But this development is admittedly inadequate. If the United States is to compare favorably with Germany and Great Britain in efforts to increase industrial efficiency through the establishment of a national system of labor exchanges, the importance of the work must be appropriately recognized by Congress.